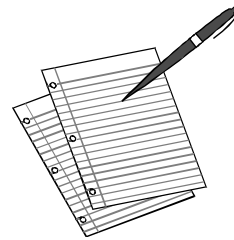
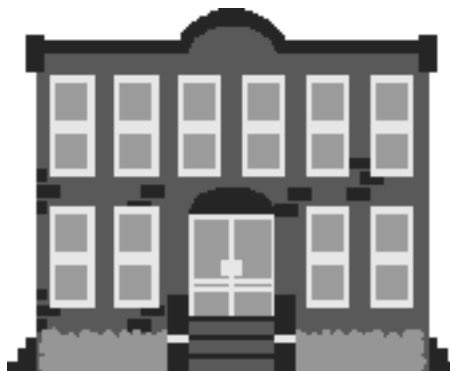


Segregated Funds



Local Government Property Insurance Fund (Fund)

The purpose of the Fund is to make reasonably priced property insurance available for tax-supported local government property such as government buildings, schools, libraries, and motor vehicles. The Fund provides policy and claim service to the policyholders. As of January 1, 2002, the Fund changed the contract administrator to The ASU Group. As a result of this change, the policy and claims administration services office has been relocated to Madison, Wisconsin.

As of June 30, 2003, the Fund insured 1,206 policyholders: 72 counties, 334 schools, 166 cities, 254 towns, 260 villages, and 120 miscellaneous (libraries, etc.). The number of policyholders increased by 23 (1.9%) since the previous fiscal year-end. Two graphs are included that reflect growth in the Fund's policyholder base and growth in its insurance coverage in force.

The Fund's insurance in force represents property that is insured against loss. The total amount of insurance in force as of June 30, 2003, was \$32.7 billion, up from \$29.7 billion as of the previous fiscal year-end. The Fund's total insurance in force increased \$3 billion over the prior year while its surplus (total assets minus total liabilities) decreased approximately \$2.5 million over the same time period.

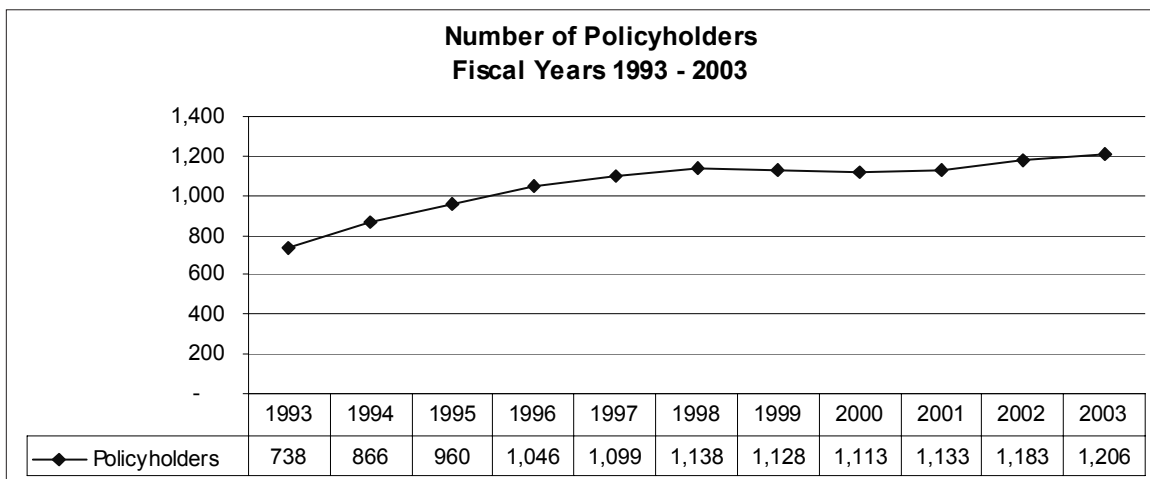
Two pie charts reflecting premium earned distribution by type of policyholder and the breakdown by type of policy purchased are also attached. The majority of

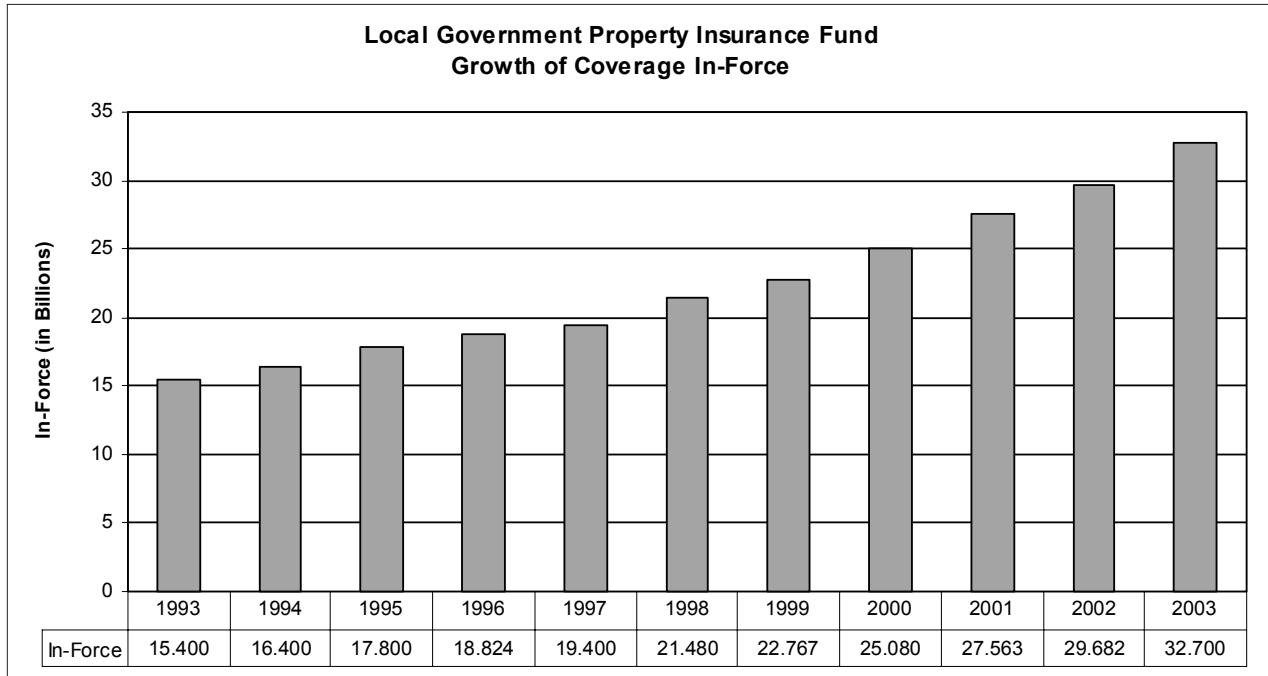
the Fund's insureds are using the valuation project service that began in 1988. This method of valuing buildings, contents, property in the open and contractor's equipment was developed to promote equity in premiums and the proper reporting of values. Participants not only have broader coverage, but also enjoy the benefits of automatic computer-generated statements of values.

The Fund's balance sheet and income statement for the fiscal year ending June 30, 2003, are included with this report. The Fund experienced an underwriting loss of \$3.4 million and a net loss of almost \$2.5 million after investment income was taken into consideration.

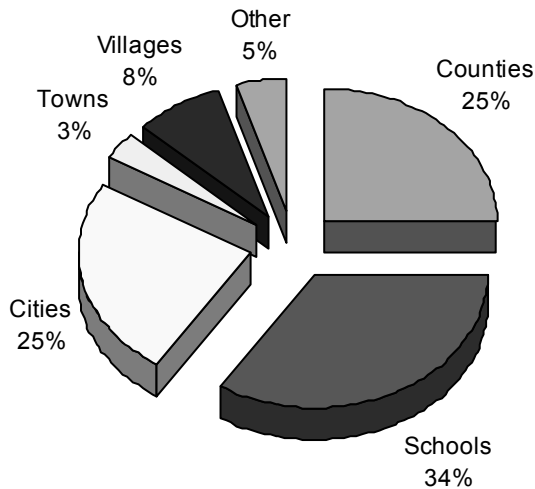
On July 1, 2002, the Fund implemented a 24% rate increase across all lines of business. On January 1, 2003, the Fund changed the Building and Contents loss cost multiplier from .74 to 1.00, it began rating properties based on 100% of insured value instead of 90%, and adjusted all policyholder loss costs to reflect their current ISO loss costs. The impact of these three actions was an average overall increase of 90% in Building and Contents rates.

Fund management will continue to monitor insurance in force, claims trends and Fund surplus when evaluating the Fund's rating structure. Claims costs coupled with higher self-insured Fund reinsurance retention levels and higher reinsurance premium continue to be a factor in the rate-setting analysis.

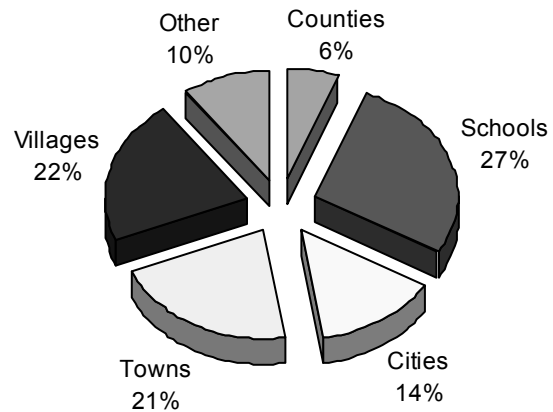




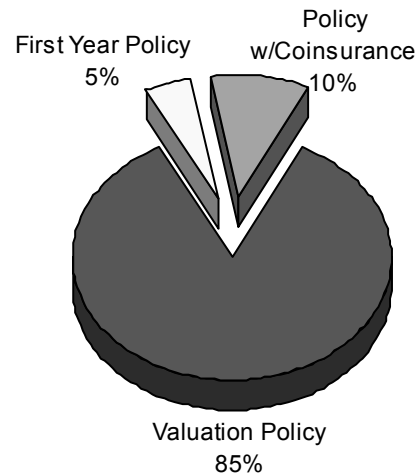
**Direct Premium Earned by Entity Type
Fiscal Year Ending June 30, 2003**



Percent of Policies by Entity Type



Percent of Policies by Policy Type



Wisconsin Insurance Report Business of 2003
Segregated Funds, Local Government Property Insurance Fund

Following are financial statements—balance sheet and income statements—for the Fund for the fiscal year ending June 30, 2003.

Local Government Property Insurance Fund Balance Sheet—Statutory Basis June 30, 2003		
Assets		
Bonds - Amortized Cost	\$11,600,323	
Investment Fund	11,456,000	
Cash at Treasury	174,764	
Premiums Receivable	3,102,743	
Reinsurance Recoverable	1,493,357	
Interest Receivable	<u>256,654</u>	
Total Assets		<u>\$28,083,841</u>
Liabilities and Surplus		
Liabilities		
Net Loss Reserves	\$ 5,618,596	
Loss Adjustment		
Expenses Payable	91,469	
Net Unearned Premiums	6,964,671	
Other Expenses Payable	<u>933,940</u>	
Total Liabilities		\$13,608,676
Surplus		
Surplus - Beginning of Year	16,947,274	
Net Income (Loss)	<u>(2,472,109)</u>	
Surplus - End of Year		<u>14,475,165</u>
Total Liabilities and Surplus		<u>\$28,083,841</u>

Local Government Property Insurance Fund Income Statement—Statutory Basis June 30, 2003		
Premiums Earned		
Direct Premium Earned	\$17,246,025	
Reinsurance Ceded	<u>(4,602,006)</u>	
Net Premium Earned		\$12,644,019
Losses Incurred		
Direct Losses Incurred	17,815,626	
Reinsurance Loss		
Recoveries	<u>(3,723,913)</u>	
Net Losses Incurred		14,091,713
Loss Adjustment Expenses	760,516	
Other Underwriting Expenses	<u>1,183,691</u>	
Total Net Losses and Expenses		<u>16,035,920</u>
Underwriting Loss		(3,391,901)
Investment & Other Income		
Interest on Bonds	811,305	
Investment Fund Earnings	133,005	
Other Income	1,052	
Investment Expenses	<u>(25,570)</u>	
Net Investment Income		<u>919,792</u>
Net Loss Before Dividends		(2,472,109)
Dividends to Policyholders		(0)
Net Income		<u>\$(2,472,109)</u>

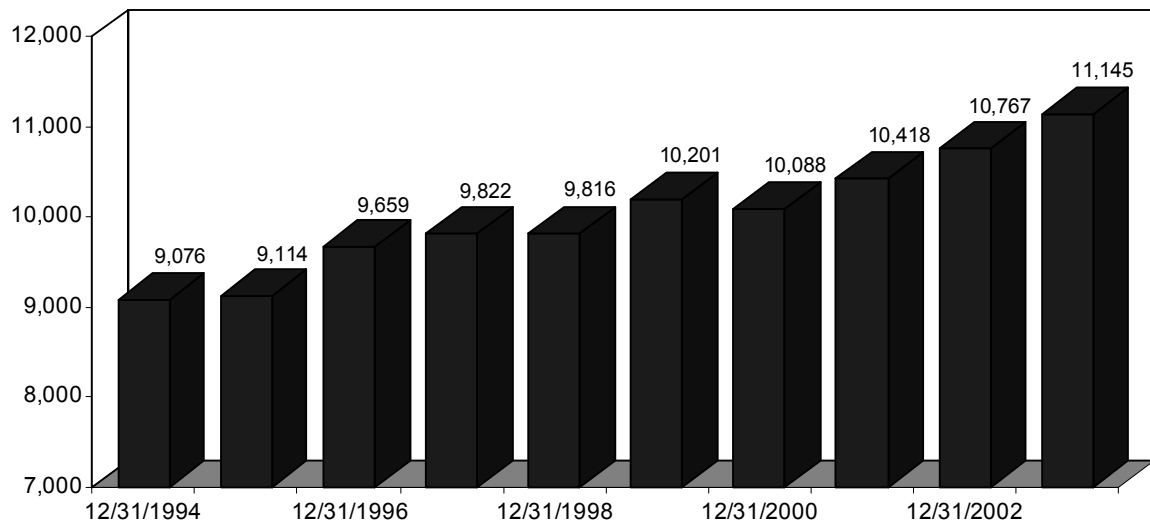
Patients Compensation Fund (Fund)

The Fund was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers. The Fund is governed by a 13-member Board of Governors (Board) that consists of 3 insurance industry representatives, a member named by the Wisconsin Academy of Trial Lawyers, a member named by the State Bar Association, 2 members named by the State Medical Society of Wisconsin, a member named by the Wisconsin Hospital Association, 4 public members appointed by the Governor, and the Commissioner of Insurance who serves as the chair. The Fund's administrative staff is provided by OCI.

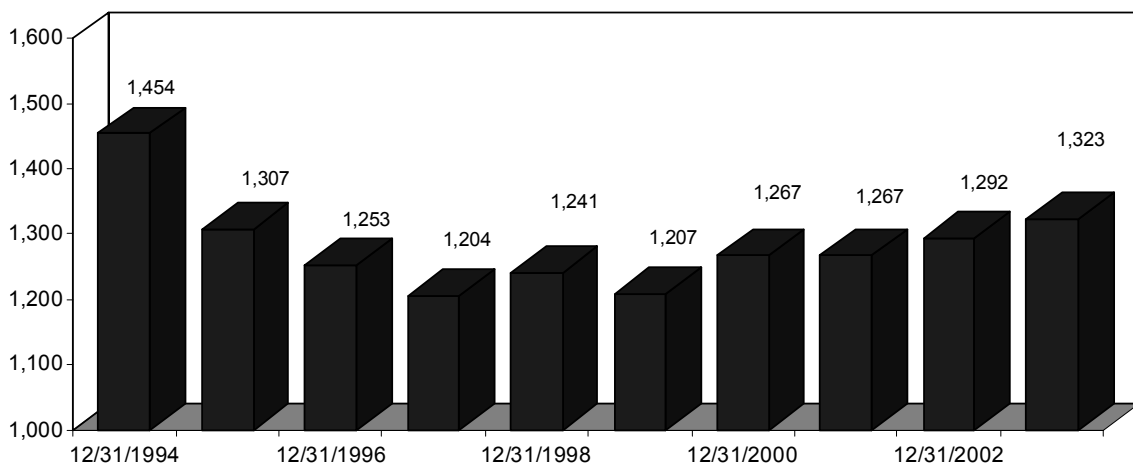
The Board is assisted by an Underwriting and Actuarial Committee, a Legal Committee, a Claims Committee, an Investment/Finance and Audit Committee, a Risk Management Steering Committee, and a Peer Review Council. The Board and its committees meet quarterly.

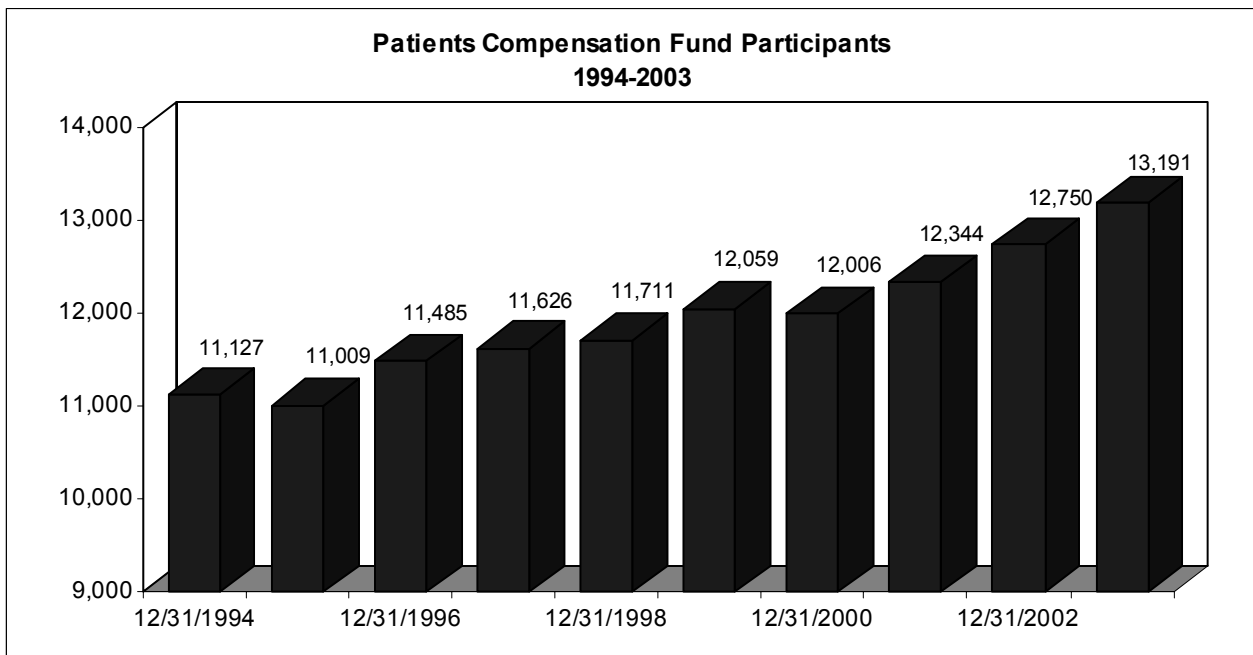
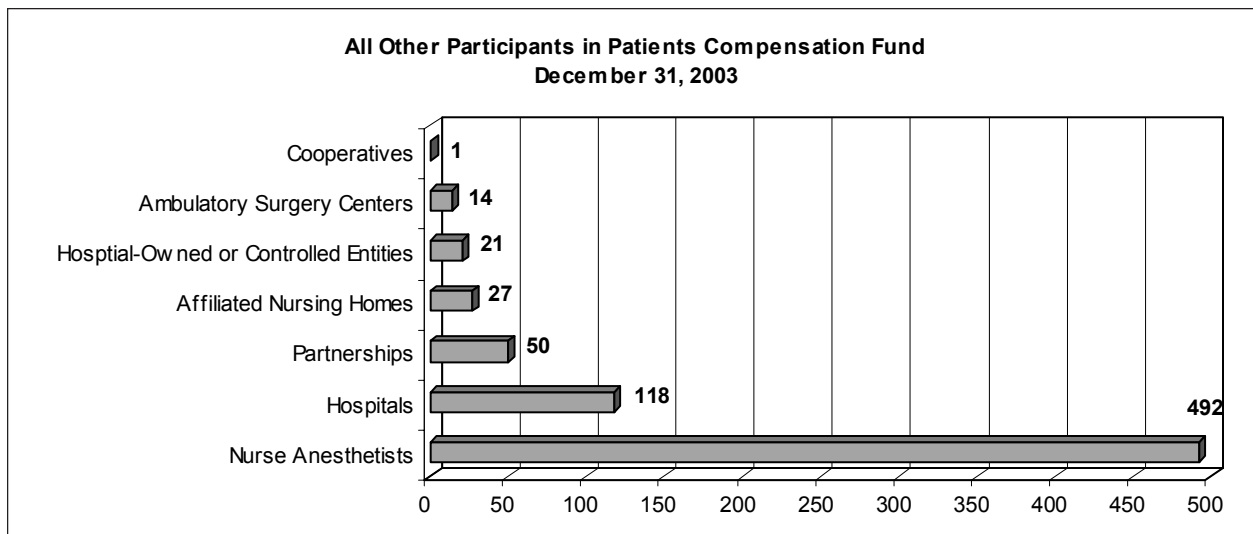
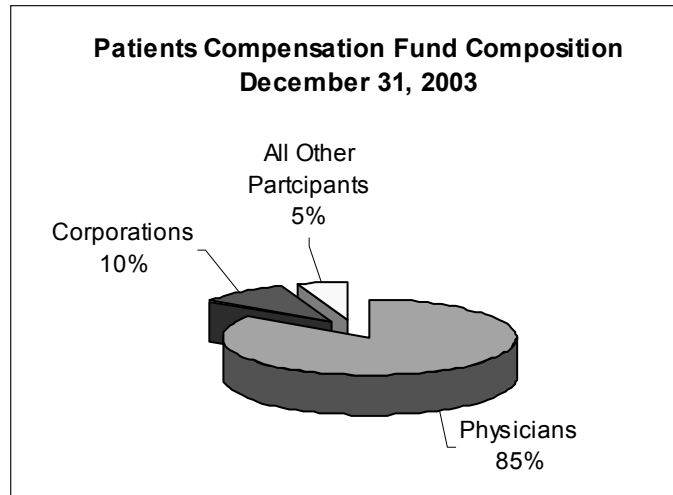
The Fund operates on a fiscal year basis—July 1 through June 30. Administrative costs, operating costs, and claim payments are funded through assessments on participating health care providers.

**Physicians in Patients Compensation Fund
1994-2003**



**Corporations in Patients Compensation Fund
1994-2003**



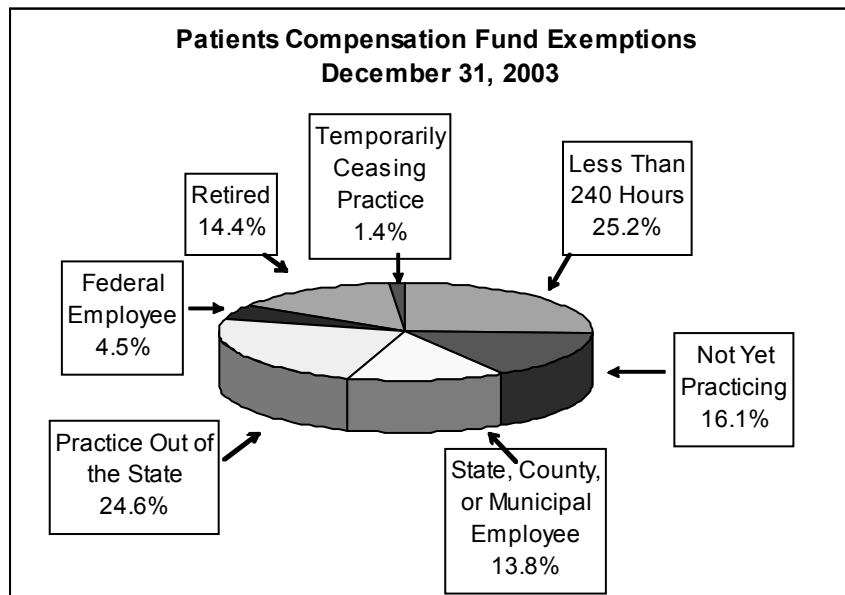


As of December 31, 2003, the vast majority of Fund participants were physicians at 85% with corporations comprising another 10% and the remaining 5% comprised of various other participant types, as illustrated in the charts on the previous page. At year-end 2003, Fund participants totaled 13,191 comprised of 11,145 physicians, 1,323 corporations, 492 nurse anesthetists, 118 hospitals with 27 affiliated nursing homes, 50 partnerships, 21 hospital-owned or controlled entities, 14 ambulatory surgery centers, and 1 cooperative.

From July 1, 1975, through December 31, 2003, 4,944 claims had been filed in which the Fund was named. During this period, the Fund's total number of paid claims increased to 609, totaling \$548,014,819. Of the total number of claims in which the Fund has been named, 4,108 claims have been closed with no indemnity payment. Of the remaining open claims reported as of December 31, 2003, 24 cases carried aggregate case reserves of \$27,833,071, while 203 cases had no reserves established.

Major Activities for 2003:

- Fund administration, in conjunction with legal counsel, closely monitored claims filed which challenge the constitutionality of the noneconomic and wrongful death caps. This is an ongoing issue and will be closely monitored.
- Fund administration closely monitored the use of outside counsel. Pursuant to a court decision in 2000, the Fund hires separate defense counsel on each claim. Fund staff monitors the claims and the use of these outside counsel to ensure that while the Fund receives the necessary representation, that legal fees are controlled.
- Extensive work continued during 2003 to verify and process up-to-date exemption status for providers that held a license to practice in Wisconsin but for which a current exemption or certificate was not on file with the Fund. Providers that remain in noncompliance are referred to their respective licensing boards for enforcement action by that board. As of December 31, 2003, 9,103 providers claimed an exemption from the Fund. The various basis for the exemptions are illustrated in the chart below:



Wisconsin Insurance Report Business of 2003
Segregated Funds, Patients Compensation Fund

Following are financial statements—balance sheet and income statement—for the Fund for the fiscal year ending June 30, 2003. The figures reported are on an unaudited basis.

Patients Compensation Fund Balance Sheet June 30, 2003, Unaudited		Patients Compensation Fund Statement of Income June 30, 2003, Unaudited	
Assets		Operating Revenues:	
Current Assets		Assessments Levied (net of unearned)	\$ 29,463,735
Cash	\$ 1,291,293	Investment Income	35,823,879
State Investment Shares	4,780,000	Unrealized gain (adjustment to market value)	39,584,569
Short-term Investment Income Receivable	22,346	Change in Bond Premium (Discount)	(906,355)
Bond Investment Income Receivable	8,381,962	Assessment Interest Income	127,967
Short-term Investments	10,802,247	Administrative Fee Income	43,632
Assessments Receivable	146,292	Surcharge Income	0
Less: Allowance for Uncollectible Accounts	(340)	Other Income	<u>80,523</u>
Prepaid Items	6,886		
Office Supplies	932	Total Operating Revenues	104,217,949
Other Receivables	<u>22,086</u>		
Total Current Assets	<u>25,453,703</u>	Operating Expenses:	
Noncurrent Assets		Underwriting Expenses:	
Long-term Investments (market value)	641,986,123	Net Losses Paid	\$ 20,682,562
Furniture & Equipment (net of depreciation)	<u>6,041</u>	Interest on Loss Payments	564,791
Total Noncurrent Assets	<u>641,992,164</u>	LAE Paid	4,225,616
		Risk Mgt Exp	21,407
Total Assets	<u>\$ 667,445,867</u>	Medical Expense Paid	643,498
		Change in Liability for IBNR	51,303,936
Liabilities and Fund Equity		Change in Liability for Reported Losses	(3,454,984)
Current Liabilities		Change in Liability for LAE	6,295,721
Future Benefits and Loss Liabilities -		Change in Amount Representing Interest	21,680,594
Short-term	\$ 74,375,000	Change in Liability for Future Med Expenses	<u>(27,731)</u>
Unearned Assessments Levied	2,831,910	Total Underwriting Expenses	101,935,411
Provider Refunds Payable	191,974	General and Administrative Expenses	943,873
Medical Mediation Panels Payable	2,910	Depreciation Expense	<u>6,040</u>
General & Administrative Expense Payable	80,061	Total Operating Expenses	102,885,324
Vouchers Payable	60,178		
Compensated Absences	<u>8,679</u>	Net Operating Income (Loss)	(1,332,625)
Total Current Liabilities	<u>77,550,713</u>		
Noncurrent Liabilities		Non-Operating Revenues and Expenses:	
Liability for IBNR	800,026,833	Loss on Disposal of Fixed Assets	<u>(4,378)</u>
Liability for Reported Losses	31,966,378	Net Gain (Loss)	<u>1,328,247</u>
Liability for LAE	<u>41,145,941</u>		
Estimated Unpaid Loss Liabilities	873,139,152	Retained Earnings	
Less: Amount Representing Interest	<u>218,284,788</u>	Retained Earnings, Beginning of Period	6,604,102
Discounted Loss Liabilities	654,854,364	Other Adjustments	<u> </u>
Liabilities for Future Medical Expenses	<u>1,060,936</u>		
Total Loss Liabilities	655,915,300	Retained Earnings, End of Year	<u>\$ 7,932,349</u>
Contributions Being Held	<u>400,000</u>		
Loss Liabilities and Contributions	656,315,300		
Less: Short-term Future Benefits &			
Loss Liabilities	<u>74,375,000</u>		
Long-term Future Benefits &			
Loss Liabilities	581,940,300		
Compensated Absences - Long-term	<u>22,506</u>		
Total Noncurrent Liabilities	<u>581,962,806</u>		
Total Liabilities	<u>659,513,519</u>		
Fund Equity	<u>7,932,349</u>		
Total Liabilities and Fund Equity	<u>\$667,445,867</u>		

State Life Insurance Fund (Fund)

The Fund is a segregated fund located within OCI. The Fund offers a maximum of \$10,000 of life insurance to state residents. Operating as a mutual insurance company, the Fund is supervised by the Commissioner.

Section 607.15, Wis. Stat., requires the Fund to distribute annually among the policyholders its net profits and to the extent practicably possible, maintain a ratio of surplus to assets between 7% and 10%. In 2003, a

distribution of \$4 million was paid to policyholders in the form of dividends.

Wisconsin is the only state in the nation that offers a life insurance program to residents. All policies issued are participating and there is no marketing of the Fund. The lapse rate on Fund policies is a low .6%. As of December 31, 2003, there were 29,988 policies in force.

State Life Insurance Fund Balance Sheet December 31, 2003

Assets

Bonds	\$70,058,777
Policy Loans	3,694,764
Cash and Bank Deposits	661,725
State Investment Fund	4,127,000
Premiums Deferred & Uncollected	119,886
Investment Income Due & Accrued	1,276,587
Amount Recoverable from Reinsurer	<u>6,334</u>
Total Assets	<u>\$79,945,073</u>

Liabilities and Surplus

Reserves for Life Policies & Contracts	\$55,073,030
Interest Maintenance Reserve	370,001
Policy Claims	154,500
Dividends Due and Unpaid (2003)	16,029
Dividends - Provision for 2004	4,081,856
Deposit Type Contracts	14,551,145
Unclaimed Property	107,298
Taxes, Licenses, Fees Accrued	518
Suspense and CANC Drafts	102,561
Expenses Due & Accrued	82,147
Back Up Withholding	514
Premiums Received in Advance	579,297
Asset Valuation Reserve	<u>137,516</u>
Total Liabilities	\$75,256,412
Surplus	<u>4,688,661</u>
Total Liabilities and Surplus	<u>\$79,945,073</u>

State Life Insurance Fund Income Statement December 31, 2003

Income

Premiums	\$1,834,023
Investment Income	5,136,797
Miscellaneous Income	0
Amortization of Interest Maintenance Reserve	<u>545,557</u>
Total Income	\$ 7,516,377

Expenses

Death Benefits	721,387
Matured Endowments	241,000
Other Policy Benefits	952,160
Increase in Reserve	1,635,447
General Operating Expense	<u>562,938</u>

Expenses before Dividends 4,112,932

Net Gain before Dividends 3,403,445

Dividends to Policyholders 4,044,964

Net Gain (Loss) from Operations \$ (641,519)